

**DEPARTMENT OF ADMINISTRATION**  
**LOCAL GOVERNMENT SERVICES**



*Don't run from year-end entries –  
Conquer them!  
Here's some simple steps.....*

**CHECKLIST FOR  
YEAR-END  
CLOSING ENTRIES**

**PRESENTED BY:**

**MAGDA NELSON & DARLA ERICKSON**

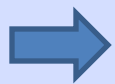
**ACCOUNTING FISCAL OFFICERS**

# ANNUAL FINANCIAL REPORT

- Applicable to every local government
- Prepared every year
- Completed & submitted within 6 months of fiscal year end – by Dec 31<sup>ST</sup>
- Must be prepared in accordance with GAAP (generally accepted accounting principles) – MCA 2-7-504
- **Closing entries should be prepared before starting the annual financial report**
- **You can review information now!**

# **STEP 1: PRELIMINARY FINANCIAL STATEMENT REVIEW**

**Compare Beginning Fund Balances/Net Assets to the ending balances from the prior year audit report and annual financial report – they should agree.**



**Ending Balances: Audit = AFR = Computer Software**

## **REVIEW ALL FUNDS FOR:**

- **Assets with credit balances**
- **Liabilities with debit balances**
- **Fund Balances/Net Assets with debit balances**
- **Revenues with debit balances**
- **Expenditures/Expenses with credit balances**

# **STEP 2: PRELIMINARY FINANCIAL STATEMENT REVIEW –BUDGETS**

## **Budget**

- **Review year-end budget to actual expenditure report for budget overdrafts**
- **Cover budget overdrafts by a budget resolution per 7-6-4031 MCA**

# **STEP 3: BALANCE CASH**

## **Balancing Cash**

- Obtain a copy of the June bank reconciliation
- The ending cash balance for June 30<sup>th</sup> on the treasurer's cash report should agree with the total cash reported for all funds in the accounting system
- Differences should be found & corrected

 Cash in banks, on hand, & investments = total cash per fund

# **CASH**

## **Investments – Valuation**

- **Make sure all investments are adjusted to “Fair Value” as of June 30, 20XX.**
- **Make sure all interest earned has been accounted for**
- **Make sure that pledged securities statements are obtained for June 30, 20XX from all banks.**

# **CASH**

## **Negative Cash Balances**

- **Review all funds for total negative cash balances**
- **Transfer cash from another fund to eliminate the negative cash balance and record a “due from/due to other fund”**
- **If negative cash is a result of an anticipated revenue make an entry for due from others**

# CASH

## Negative Cash Balances Cont.

### **Example of a due from/due to entry:**

Scenario: The Public Safety Fund is borrowing short-term from the General fund:

**1000 – 131000 – Due from other funds/Public Safety - Debit**

**1000 – 101000 – Cash - Credit**

**2300 – 101000 – Cash - Debit**

**2300 – 211000 – Due to other funds/General – Credit**

You may reverse this entry on July 1 as part of budget process



# **STEP 4: Review Agency Funds**

➤ **All agency funds should have a zero fund balance (Assets = Liabilities)**

➤ **The Payroll and Claims clearing funds should equal the subsidiary ledgers for outstanding warrants payable and due to others\***

**\*Balance this monthly as part of cash rec. process**



**Ending balances = warrants payable + due to others**

# **STEP 5: RECONCILE RECEIVABLES**

## **Balance Taxes Receivable with County**

- Make sure the total taxes receivable reported per the accounting system, all funds, agrees to the County Treasurer's ledger.
- Use a consistent time-frame to compare  
Such as County's May report balances to your June

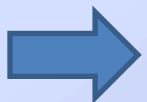
## **Special Assessments Receivable-Deferred**

- Compare deferred assessments receivable amounts in funds with subsidiary ledgers.

# RECEIVABLES

## Deferred Revenue

- Compare total taxes receivable, total special assessments receivable and total special assessments receivable-deferred to total deferred revenue for each governmental fund.
  - Make sure there is a corresponding amount of deferred revenue for all taxes receivable, special assessments receivable and special assessments receivable-deferred.
- Long term receivables such as notes/loans receivable in governmental funds should also show a corresponding amount of deferred revenue in the fund.



Taxes + Total Assessments\* Receivable = Deferred Revenue

\*Assessments and special assessments receivable def

# **RECEIVABLES**

## **Due From Other Governments**

- **Verify all due from other governments are recorded and supported by records such as grant reports**
- **These are most often found in the grant fund in which a request for reimbursement was made and not received at year end**
- **Often these funds have negative fund balances and the recording of the due from corrects the negative fund balance**

### **➤ Example of entry for due from other governments:**

**2927 – 132000 – Due from other governments/Homeland Sec Grant - debit**  
**2927 - 331112 - Homeland Security Grant - credit**

**When Grant is received reverse the Due from entry:**

**2927 – 101000 – Cash debit**  
**2927 – 132000 – Due from other governments/Homeland Sec Grant - credit**

# **RECEIVABLES**

## **Enterprise Accounts Receivable**

- Accounts Receivable per accounting system need to agree to Customer Detail
- Adjust Accounts Receivable for estimated uncollectible accounts. Most common problem is the ambulance fund

## **Due To/From Other Funds**

- Make sure total “Due From Other Funds” balances equals total “Due To Other Funds” balances
- Due froms are payable in less than 12 months, so there shouldn’t be the same amounts as the prior year
- Payables between funds that are not expected to be repaid within the following fiscal year should be reclassified as “advances to/from other funds” (see Long-Term Debt Section)

# **PREPAID RECEIVABLES/EXPENSES**

## **Prepaid Expenses**

- **Prepaid expenses are expenses the government paid in advance of receiving the goods or services.**
- **Most common are insurance policies and maintenance agreements.**

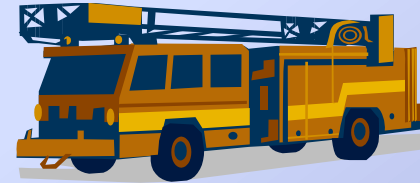
**Example: 5310 – 141000 – Prepaid expenses - debit  
5310 – 101000 - Cash - credit**

## **Prepaid Receivables**

- **Prepaid account receivables are payments made on services that will be provided in the future**
- **If Material, prepaid receivables must be shown as liabilities rather than a reduction in accounts receivable**

# **STEP 6: INVENTORY & CAPITAL ASSETS**

## **Items to be considered:**



- **Inventory – if material**
- **Capital Asset Outlay or Additions including donations**
- **Capital Asset Deletions**
- **Schedule of Capital Assets – including accumulated depreciation**
  - **Governmental Funds in total (GFAAG ~ Fund 9000)**
  - **Schedule for each Business-Type Fund**
    - **Depreciation expense entries for Business-Type Funds**

# **INVENTORY & CAPITAL ASSETS**

## **Inventory**

- **Inventory amounts, if material or significant, should be supported by a detailed listing**
- **Determine if the Consumption or Purchase Method is used  
(At purchase: Consumption = asset; Purchase = expense)**
- **Determine if LIFO or FIFO is applied (last in/first out or first in/first out)**
- **Funds with inventory amounts that may be material are the General or Gas Tax Funds for street repair, fuel, etc**

**Example: purchase of patch mix of \$100,000 could be a significant or material amount and should be listed as inventory**



# **INVENTORY & CAPITAL ASSETS**

## **Capital Assets**

### **Capital Outlay – Object codes 900 to 999**

- Review a report on all expenditures with object codes 900 to 999 & 200 to 399 targeting amounts that meet the capitalization policy for items that should have been coded to a 9XX object code
- **Governmental Funds** – Review 900 object code report for expenditures
  - Make sure the amounts either meet or exceed the capitalization policy. (Prepare JV to correct items that don't meet capitalization policy – change object code or change object code from 200-399 for items that should have been a 900 object code)
- **Business-Type Funds** – Often coded as 900 object code in claims process
  - An adjusting entry at year end is necessary to reclassify as capital assets prior to preparing the Annual Financial Report

# INVENTORY & CAPITAL ASSETS



## Capital Assets

Example of Journal Voucher to reverse capital outlay in an enterprise fund:

Claim paid: \$10,000 to purchase water treatment equip:

5210 – 430540 – 900 – Treatment equipment      10,000 debit

5210 – 101000                      Cash                      10,000 credit

At year-end:

5210 – 189300 – Treatment Plant                      10,000 debit

5210 – 430540 – 900 – Treatment equipment      10,000 credit

To reverse claim for purchase of water treatment equip



# **INVENTORY & CAPITAL ASSETS**

## **Capitalizable Costs**

### **➤ Acquisition Costs**

- Includes: legal, appraisal, survey, transportation fees
- Interest in some cases (Business-Type Funds)

### **➤ Improvements that add additional value & life**

- Repairs wouldn't be capitalized

### **➤ Costs that shouldn't be capitalized:**

- Administrative costs
- Preliminary costs & feasibility studies to determine if you will construction or add an asset
- Training of employees to use the asset

# **INVENTORY & CAPITAL ASSETS**

## **Capital Assets**

### **Schedule of Capital Assets**

- **Prepare:**
  - One for the total Governmental funds
  - One for each Business-Type fund
  
- **Beginning balance of capital assets must agree to prior year's ending balance (Statement of Net Assets)**
  
- **Governmental:** Additions are based on Capital Outlay (all expenditures with 9XX object codes)
  
- **Business-Type:** Ending balances must tie to the Balance Sheet (After journal entries to reverse capital outlay)

# **INVENTORY & CAPITAL ASSETS**

## **Capital Assets**

### **List of Capital Asset Additions**

- **Addition on Schedule of Capital Assets should:**
  - **Equal capital outlay + donated assets in Governmental Funds**
  - **Equal additions on Business-Type Balance Sheet**
- **Be sure to record Construction in Progress**
  - **Review items coded to object 350 - Architectural, Engineering, and Landscaping Services that were part of the project**
- **Be sure to record Capital Assets that are contributed (donated)**
  - **May use fair market value or historical cost for donated item**

# **INVENTORY & CAPITAL ASSETS**

## **Capital Assets**

### **List of Capital Asset Deletions**

- **Must match deletions on Schedule of Capital Assets**
- **Proceeds from the sale of capital assets are recorded in Governmental Funds**
- **Gain or Loss Recorded in Business-Type Funds**
  - **Classified as non-operating revenues & expenses**
- **Proceeds from the sale of capital assets recorded on fund level financial statement for Governmental fund types will be converted to a Gain or Loss for presentation on the Government-Wide financial statements (GASB 34 Conversion)**
- **Trade-in of assets – The remaining value (purchase price less accumulated depreciation) of the asset should be added to the cost of the new capital asset**

# **INVENTORY & CAPITAL ASSETS**

## **Depreciation**

- **Straight-line is the common method**
  - Depreciation is applied equally over the estimated useful life
- **Depreciation calculated by individual items rather than group depreciation**
- **Useful life is determined by the entity's own experience**
  - A significant balance of fully depreciated capital assets shows that the useful life needs to be adjusted
  - Land & Construction in Progress is not depreciated

# **INVENTORY & CAPITAL ASSETS**

## **Capital Assets**

### **Depreciation for Business-Type funds:**

- Land and Construction in Progress are not Depreciated
- Be consistent in applying depreciation methods & estimated useful life
  - Use your entity's experience to determine useful life
- Record Depreciation Expense in Business-Type funds prior to Annual Financial Report preparation
- Capital Assets will be reported net of Accumulated Depreciation on the Business-Type Balance Sheet/Statement of Net Assets

**Example of Depreciation Expense Entry:**

**5210 – 430530 – 830 – Depreciation expense - debit**  
**5210 – 189210 – Allowance for depreciation - credit**



# **INVENTORY & CAPITAL ASSETS**

## **Depreciation for Governmental funds:**

- **Depreciation expense related to capital assets in governmental type funds may be recorded in the General Fixed Asset Account Group (GFAAG - Fund 9000)**
- **Prepare a listing of current year depreciation expense by Function (i.e. 41, 42, 43 etc.) for all Governmental-type capital assets for GASB 34 Conversion**  
**(A depreciation expense entry is not made for Governmental Funds)**

**If keeping up Fund 9000 in your software - you would make the following entry for Machinery & Equipment depreciation:**

**9000 - 280000 – Investment in General Fixed Assets – debit**

**9000 – 186100 – Allowance for Depreciation - credit**

# **INVENTORY & CAPITAL ASSETS**

## **Audit of Capital Assets**

- **Entities needs to be aware of what Auditor is testing and why**
- **Existence**
- **Completeness**
- **Valuation**
- **Recalculation of Depreciation**

**On Financial Statements non-depreciated items should be listed separately from depreciated items**

**Annual Report Note Disclosure should include capitalization threshold, method and estimated useful life**

# **Capital Asset Quiz**

- 1. Which of the following is always true:**
  - a. Land is not depreciated**
  - b. Infrastructure is not depreciated**
  - c. A and B are both true**
  
- 2. A feasibility study should be capitalized:**
  - a. True**
  - b. False**
  
- 3. What is the best source to determine the useful life of a capital asset?**
  - a. Useful life schedule produced by the IRS**
  - b. Published average useful life provided for engineering purposes**
  - c. Government's own experience**

# **STEP 7: SHORT-TERM PAYABLES**

## **ACCOUNTS PAYABLE**

- Review claims expenditures paid during July and August  
Record Accounts Payable if deemed material

## **ACCRUED PAYROLL PAYABLE**

- Record Payroll Payable if deemed material

## **ACCRUED INTEREST PAYABLE**

- Record Interest Payable if deemed material

# **STEP 8: LONG-TERM DEBT**

## **Advances Between Funds**

- **Advances to other funds (asset) should equal Advances from other funds (liability)**
- **Have documentation related to Advances that denotes the terms of repayment**

**Example of entry the same as due from/due to – instead use accounts:**

**Advance from account #133000**

**Advance to account #233000**

# **LONG-TERM DEBT**

## **Compensated Absences**

- **Review compensated absences liability in the Long-Term Debt Schedule Balance Sheet for Business-Type; GLTDAG – Fund 9500 Governmental**
- **The beginning balance on GLTDAG needs to match last year's ending balances**
- **The ending balances need to agree to the compensated absences report/worksheet as of 6/30**
- **The worksheet will include hourly rates used for the calculations  
If using computer software print the worksheet prior to pay rates being changed for the new year**
- **Business-Type Funds: Record increase or decrease to Compensated Absence payable in the accounting system by journal voucher – account #239000**
- **Governmental Funds: Record increase or decrease in Compensated Absences payable in the General Long Term Debt Account Group (fund 9500).**

# LONG-TERM DEBT

## Compensated Absences

### Sample schedule:

Town of Somewhere													
COMPENSATED ABSENCES PAYABLE													
Fiscal Year Ended June 30, 2011													
	HOURS	HOURS	1/4	TOTAL	CURR.	COMP.	ADD	TOTAL	(adjust percentages in formulas as necessary)				
	ANNUAL	SICK	SICK	LEAVE	RATE	DOLLAR	20% for	DOLLAR	% TO	% TO	% TO	% TO	
NAME	LEAVE	LEAVE	LEAVE	HOURS	OF PAY	LIAB.	BENEFITS	LIAB.	GENERAL	WATER	SEWER	GARBAGE	TOTAL
Clerk	100.00	50.00	12.50	112.50	\$ 15.00	\$ 1,687.50	\$ 337.50	\$ 2,025.00	\$ 506.25	\$ 506.25	\$ 506.25	\$ 506.25	\$ 2,025.00
Public Works Director	200.00	100.00	25.00	225.00	20.00	4,500.00	900.00	5,400.00	1,350.00	1,350.00	1,350.00	1,350.00	5,400.00
			0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
			0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
			0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
			0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
			0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
						\$ 6,187.50	\$ 1,237.50	\$ 7,425.00	\$ 1,856.25	\$ 1,856.25	\$ 1,856.25	\$ 1,856.25	\$ 7,425.00
						=====	=====	=====	=====	=====	=====	=====	=====

Note: Change the formula for percentages allocated to General, Water, Sewer, Garbage for your entity per your payroll distribution

Make the necessary entries to adjust for the change in compensated absences  
Account #239000

# **LONG-TERM DEBT**

## **Review Long-Term Debt**

- Do beginning balances on accounting system agree to last year's ending balances reported in prior year audit report & AFR?
- Do ending balances for each outstanding debt reconcile to supporting reports and amortization schedules?
- For all InterCap Loans, have copies of most recent source documentation showing principal, interest, and interest rate.
- For each long-term debt, provide auditors with copies of all bond agreements, refunding agreements, capital leases, or loans, and the related amortization schedules.



# **LONG-TERM DEBT**

## **Review Long-Term Debt (cont.)**

- For Governmental funds, new long-term debt is recorded as proceeds from Long-Term Debt.
- For Business Type funds, it is an increase in the Long-Term Debt itself.
- Have new capital leases and the related capital assets been recorded?
- Bond requirements – Are you required to keep restricted assets for current and future payments?

# **LONG-TERM DEBT**

## **Reclassify Debt Service Expenses**

- **Governmental Funds - Debt payments split between the portion that belongs to:**
  - **Debt Service Principal- object code 610 and**
  - **Debt Service Interest- object code 620**
  
- **Reductions in the Long-Term Debt Schedule equal the amounts coded to object code 610 - Debt Service Principal paid out of governmental funds**
  
- **Recorded in the GLTDAG – Fund 9500**

# LONG-TERM DEBT

## Reclassify Debt Service Expenses

➤ Business Type Funds – Often entities record principal payments to 610 object code.

An adjusting entry at year end is necessary to reclassify as a reduction in the liability prior to preparing the Annual Financial Report

Example of an entry to reclassify debit service principal payment if the payment was coded as principal & interest expense:

During claims process:

5210 - 430530 – 610 – Principal payment – \$5,000 debit

5210 – 430530 – 620 – Interest payment – \$8,000 debit

5210 – 101000 - Cash - \$13,000 credit

Entry at year-end to reclassify principal payment:

5210 – 2350000 – Long-term notes payable – \$5,000 debit

5210 – 430530 – 610 – Principal payment - \$5,000 credit

Interest remains an expense

# **LONG-TERM DEBT**

## **Revenue Bond Compliance**

- **Review Revenue Bond Requirements - Prepare calculations related to Revenue Bond Compliance**
  - **Information can be found in original bond documents**
- **If there are revenue bonds outstanding in the Business-Type funds, The restricted cash accounts (1202XX) are recorded in compliance with the requirements of the bond resolution for each outstanding bond issue (3<sup>rd</sup> party restriction)**
- **Adjust restricted net assets (25XXXX) to agree to the appropriate restricted cash accounts**

# **LONG-TERM DEBT**

## **Landfills – Closure/Post-closure**

- Obtain Engineer's report and record Landfill closure adjustment (GASB #18) – Closure and Post-closure
- Make sure that restricted cash accounts are recorded related to Closure/ Post-closure Liability (enabling legislation)
- Restricted Cash should equal the Closure/Post-closure Liability Account #23600
- If the restricted cash account is more than Closure/Post-closure liability account (#236000) you will use Restricted for Amounts Held by Trustees Net Assets Account #250800

# **LONG-TERM DEBT QUIZ**

- 1. Compensated absences:**
  - a. Are the liabilities for accrued vacation, sick leave & comp time**
  - b. Be updated at the end of every year**
  - c. A and B are both true**
  
- 2. A principal payment in the sewer fund will be reported as an expense at year-end on your financial statements:**
  - a. True**
  - b. False**
  
- 3. Proceeds from long-term debt is:**
  - a. Reported as proceeds from long-term debt in Governmental Funds**
  - b. Reported as an increase in long-term debt itself**
  - c. Both A and B are true**

## **STEP 9: OTHER CONSIDERATIONS**

### **Transfers**

- **Make sure transfers in and transfers out balance**
- **Prepare a schedule showing the fund name the cash was transferred out of and the fund name of the corresponding transfer in and amount.**

### **Restatements/Prior Period Adjustments**

- **The reason for all restatements/prior period adjustments must be described in the footnotes of the Annual Financial Report.**
- **Be prepared to show supporting documentation supporting reason for restatement.**

# **OTHER CONSIDERATIONS**

## **Prior Year Findings:**

- Review the findings in the prior year audit report
  - Have the findings been addressed?

## **GASB 34 Revenue Coding**

- Revenues to be Coded as General or Program ~ Use BARS Chart of Accounts

## **Internal Service Funds**

- Prepare fund allocation table



# **OTHER CONSIDERATIONS**

## **Indirect Cost Allocation Plans**

Costs that cannot be specially associated with a given service, program or department and is not clearly associated with a particular function

- Obtain a copy of the cost allocation plan
- The auditor will review and determine if the allocation plan is “reasonable and systematic”

## **Schedule of Federal Awards**

- Prepare only if a federal audit
- If entity expends \$500,000 or more in a year of federal awards (direct or pass-through State)
  - Expend = when activity related to award occurs
    - ✓ Reimbursement-type grants – when expenditure made
    - ✓ Loans – new loans + balance of previous loans when federal government imposes continuing compliance requirements (other than repayment)

# Overview of Year-end Closing:

**Step 1:** Compare Beginning Balances to Audit/AFR Prior Year Ending Balances and review ending fund balances for problems

**Step 2:** Review budget to actual expenditures for overdrafts

**Step 3:** Ensure Cash is in balance

**Step 4:** Review Agency Funds – including payroll/claims clearing funds

**Step 5:** Balance receivables – taxes, water, sewer, ambulance,  
Due from/Due to & Pre-paid expenses

**Step 6:** Inventory & Capital Assets – additions, deletions, depreciation

**Step 7:** Short-term payables - Accounts payable, Accrued payroll

**Step 8:** Long-term debt – Advances, Compensated Absences, Principal  
& Interest, Bond Compliance, Landfills

**Step 9:** Other considerations: Transfers in = Transfers out; Prior year  
audit comments & findings are addressed, Restatements

**Step 10:** GASB 54 Fund Balance classification & OPEB Calculation

## Reference materials:

*Governmental Accounting, Auditing and Financial Reporting – Using the GASB34 Model* by Stephen J. Gauthier, Government Financial Officers Association

(Also known as the Blue Book)

*Accounting for Capital Assets – A Guide for State and Local Governments* by  
Stephen J. Gauthier, Government Finance Officer Association

*The New Fund Balance* – Stephen J. Gauthier, Government Finance Officers Assoc

Government Finance Office Association – [www.gfoa.org](http://www.gfoa.org)

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## Webinars in conjunction with Local Government Center:

## *GASB 54 – New Fund Balance Classifications*

## Back to the Basics – For New Clerks or a Refresher Course

Local Government Services Bureau website: <http://doa.mt.gov/lgsb>

Local Government Center website: [www.msulocalgov.org](http://www.msulocalgov.org)

# EXERCISE TIME!



# Preparing a Journal Voucher for Closing entries:

## CLOSING ENTRIES EXERCISE:

- **Complete the necessary closing entries for the Town of Somewhere**
- **Step 1:** Review the claims for FY2011 to see if any journal voucher adjustments need to be made because of coding errors. If entries are required make them on the blank journal voucher form
- **Step 2:** Complete the depreciation schedules for the governmental funds and the water fund
- **Step 3:** Make the appropriate capital asset and depreciation journal voucher entries on the blank journal voucher form
- **Step 4:** Review the compensated absences spreadsheet and make the appropriate journal voucher entries
- **Step 5:** Review the loan information and make journal voucher entries if necessary
- **Step 6:** Complete the GFAAG & GLTDAG to prepare for Annual Report

# Year-end Closing exercise ~ Review Claims

Claims to review:							
Date:	Claim #	Written to:	Total of Claim	Fund	Account #	Object #	Amt per fund:
7/2/2010	2905	CASE Dealer	\$30,000	1000	430200	900	\$20,000
		Case Loader Model 2700		5210	430550	900	\$10,000
9/1/2010	3000	Farmer John Smith	\$5,000	1000	460430	400	\$5,000
		Land - 5 acres for ball field					
12/31/2010	3200	Bank of Somewhere	\$10,000	5210	430550	610	\$3,000
		Loan payment - principal, interest		5210	430550	620	\$7,000
2/12/2011	3400	ACE Hardware	\$3,000	1000	430240	900	\$3,000
		Scaffolding					
5/30/2011	3701	Interstate Engineering	\$4,900	5210	530550	300	\$4,900
		Feasibility study					
6/18/2011	3780	Johnson Products	\$10,000	5210	430550	900	\$10,000
		Hand-held water meter reading machine					
6/30/2011	3800	Bank of Somewhere	\$10,000	5210	430550	610	\$3,000
		Loan payment - principal, interest		5210	430550	620	\$7,000

# Year-end Closing exercise ~ Depreciation

## TOWN OF SOMEWHERE GENERAL FIXED ASSETS/DEPRECIATION

YEAR OF PURCHASE	DESCRIPTION	FUNCTION	COST	EXPECTED USEFUL LIFE	ANNUAL DEPRECIATION (STRAIGHT LINE)	DEPR. PRIOR TO FYE 2010	DEPR. FYE 2010	DEPR. FYE 2011	ACCUM. DEPRE.	NET CARRYING VALUE
	<b>LAND - BARS #181000</b>		1,000.00		N/A					1,000.00
										0.00
			1,000.00							1,000.00
	<b>BUILDINGS: BARS #182000</b>									
1940	City Hall		16,000.00	40.00	400.00	16,000.00			16,000.00	0.00
2004	Fire Hall Addition to City Hall		60,000.00	40.00	1,500.00	7,500.00	1,500.00		9,000.00	51,000.00
	<b>TOTAL BUILDINGS</b>		76,000.00		1,900.00	23,500.00	1,500.00	0.00	25,000.00	51,000.00
	Depreciation acct #182100									
	<b>MACHINERY/EQUIPMENT: BARS #186000</b>									
July 1980	Dump Truck		8,000.00	10.00	800.00	8,000.00			8,000.00	0.00
June 2005	Ford 1/2 T Pickup		10,000.00	10.00	1,000.00	4,000.00	1,000.00		5,000.00	5,000.00
June 2009	Mower		5,000.00	10.00	500.00		500.00		500.00	4,500.00
					#DIV/0!				0.00	0.00
					#DIV/0!				0.00	0.00
					#DIV/0!				0.00	0.00
	<b>TOTAL MACHINERY/EQUIP</b>		23,000.00		#DIV/0!	12,000.00	1,500.00	0.00	13,500.00	9,500.00
	Depreciation account #186100									
	<b>GENERAL INFRASTRUCTURE: BARS #187000</b>									0.00
					#DIV/0!					
					#DIV/0!				0.00	0.00
	<b>TOTAL INFRASTRUCTURE</b>		0.00		#DIV/0!	0.00	0.00	0.00	0.00	0.00
	Depreciation account #187100									0.00
	<b>TOTALS</b>		100,000.00		#DIV/0!	35,500.00	3,000.00	0.00	38,500.00	61,500.00



# Year-end Closing exercise ~ Depreciation

## TOWN OF SOMEWHERE WATER ENTERPRISE DEPRECIATION SCHEDULE

Year of Purchase	Description	Cost	Useful Life	Annual Depreciation	Depreciation Prior to FYE 2009	Depreciation FYE 2009	Depreciation FYE 2010	Depreciation FYE 2011	Accumulated Depreciation	Net Value
	LAND - BARS #181000			n/a	n/a					0.00
	MACHINERY/EQUIPMENT - BARS #186000									
				#DIV/0!					0.00	0.00
				#DIV/0!					0.00	0.00
	TOTAL MACHINERY/EQUIPMENT	0.00		#DIV/0!	0.00	0.00	0.00	0.00	0.00	0.00
	Depreciation account #186100								0.00	0.00
	TOTAL SOURCE OF SUPPLY	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
	PUMPING PLANT - BARS #198200									
				#DIV/0!					0.00	0.00
				#DIV/0!					0.00	0.00
									0.00	0.00
	TOTAL PUMPING PLANT	0.00		#DIV/0!	0.00	0.00	0.00	0.00	0.00	0.00
	Depreciation account #189210									
	GENERAL PLANT - BARS #189500									
1989	Water Plant	600,000.00	50	12,000.00	240,000.00	12,000.00	12,000.00		264,000.00	336,000.00
				#DIV/0!					0.00	0.00
				#DIV/0!					0.00	0.00
									0.00	0.00
	TOTAL GENERAL PLANT	600,000.00		#DIV/0!	240,000.00	12,000.00	12,000.00	0.00	264,000.00	336,000.00
	Depreciation account #189510									
	GRAND TOTAL	600,000.00		#DIV/0!	240,000.00	12,000.00	12,000.00	0.00	264,000.00	336,000.00



## Year-end Closing exercise ~ Compensated Absences

[illegible]

# Year-end Closing exercise ~ Capital Assets

**TOWN OF SOMEWHERE**  
**GENERAL FIXED (CAPITAL) ASSETS ACCOUNT GROUP**  
**JUNE 30, 2011**

JUNE 30, 2011						
ACCOUNT NUMBER	ACCOUNT DESCRIPTION	BALANCE July 1, 2010	DEBITS	CREDIT	Adjustments for inventory/prior year depreciation	BALANCE June 30, 2011
181000	LAND	1,000.00				
188000	CONSTRUCTION IN PROGRESS					
182000	BUILDINGS	76,000.00				
182100	ALLOWANCE FOR DEPRECIATION	(25,000.00)				
183000	INTANGIBLES/WORKS OF ART					
183100	AMORTIZATION/ALLOW. FOR DEPRECIATION					
184000	IMPROVEMENTS OTHER THAN BUILDINGS					
184100	ALLOWANCE FOR DEPRECIATION					
186000	MACHINERY & EQUIPMENT	23,000.00				
186100	ALLOWANCE FOR DEPRECIATION	(13,500.00)				
187000	INFRASTRUCTURE					
187100	ALLOWANCE FOR DEPRECIATION					
	<b>TOTAL ASSETS</b>	61,500.00	0.00	0.00	0.00	0.00
	<b>DEPRECIATION EXPENSE:</b>					
410000830	GENERAL GOVERNMENT	0.00				0.00
420000830	PUBLIC SAFETY	0.00				0.00
430000830	PUBLIC WORKS	0.00				0.00
440000830	PUBLIC HEALTH	0.00				0.00
450000830	SOCIAL/ECONOMIC SERVICES	0.00				0.00
460000830	CULTURE AND RECREATION	0.00				0.00
470000830	HOUSING/COMMUNITY DEVELOPMENT	0.00				0.00
480000830	CONSERVATION OF NATURAL RESOURCES	0.00				0.00
	UNALLOCATED DEPRECIATION	0.00				0.00
	<b>TOTAL DEPRECIATION EXPENSE</b>	0.00	0.00	0.00	0.00	0.00
280000	INVESTMENT IN GENERAL CAPITAL ASSETS	61,500.00	0.00	0.00	0.00	61,500.00
	<b>TOTAL</b>	61,500.00	0.00	0.00	0.00	61,500.00
NOTE: At year end, the depreciation expense would be closed into the equity account (280000 Investment in General Capital Assets) and new purchases/acquisitions and/or sales/disposals would be recorded.						

# Year-end Closing exercise ~ General Long-Term Debt

**LONG-TERM DEBT (9500)**  
**ACCOUNT GROUPS - STATEMENT OF CHANGES IN LONG-TERM DEBT**  
**FISCAL YEAR ENDING JUNE 30, 2011**

Account number	Description	Balance 7/1/2010	Debits	Credits	Balance 6/30/2010
	<b>ASSETS</b>				
173100	Amount available G.O.debt				
173200	Amount available S.I.D.debt				
174100	Amount to be provided G.O. debt				
174200	Amount to be provided S.I.D. debt				
174300	Amount to be provided - other	4,012.50			
	<b>*TOTAL ASSETS</b>	4,012.50			
	<b>DEBT PAYABLE</b>				
231100	G.O. bonds payable				
235400	Notes/Loans/Intercep				
238000	OPEB Liability				
239000	Compensated absences payable	4,012.50			
	<b>TOTAL DEBT PAYABLE</b>	4,012.50			

\*Total assets must equal total debt payable.

Beginning balance should equal with the ending balance of the previous fiscal year annual report and/or audit report.  
 The ending debt payable balances should equal the long-term debt balances reported in the "Notes to the Financial Statements" other than the debt of any Enterprise Funds.

# Year-end Closing exercise ~ Loan Information

<b>Community Bank of Somewhere</b>				
<b>1000 N Main St, Somewhere, MT</b>				
<b>Phone: 406-111-1111</b>				
Water loan:	Date of loan:	April 2004		
	Original amt:	400,000	Interest rate:	3.75%
<b>Loan account #101-101</b>				
Descriptions:	Interest	Principal	Date	Balance
Balance last statements			6/30/2010	300,000.00
Payments:	7,000.00	3,000.00	12/31/2010	297,000.00
	7,000.00	3,000.00	6/30/2011	294,000.00
<b>Outstanding Balance</b>			6/30/2011	294,000.00

# Year-end Closing exercise ~ Water Balance Sheet

## Prior to closing

TOWN OF SOMEWHERE STATEMENT OF NET ASSETS WATER FUND 6/30/2011 - BEFORE CLOSING		
Account Number	Description	5210 Water
	<b>ASSETS</b>	
	<b>Current Assets</b>	
101000	Cash and cash equivalents	100,000.00
103000	Petty cash	100.00
120000	Accounts/other receivables - (net of allowance for uncollectibles)	2,000.00
150000	Inventories	
	<b>Total Current Assets</b>	<b>102,100.00</b>
	<b>Noncurrent Assets</b>	
180000	Restricted Assets:	
	Capital assets:	
	Land	
	Construction in progress	
	Buildings	
	Improvements other than buildings	
	Machinery and equipment	
	Infrastructure (utility systems)	600,000.00
	Less: accumulated depreciation	(264,000.00)
	Capital assets - net of accumulated depreciation	336,000.00
	<b>Total Noncurrent Assets</b>	<b>336,000.00</b>
	<b>Total Assets</b>	<b>438,100.00</b>
	<b>LIABILITIES</b>	
	<b>Current Liabilities</b>	
204000	Contracts/loans/notes payable	
209100	Compensated absences	
	<b>Total Current Liabilities</b>	<b>0.00</b>
	<b>Noncurrent Liabilities</b>	
235000	Contracts/loans/notes payable	300,000.00
238000	OPEB Liability	
239000	Compensated absences	4,012.50
	<b>Total Noncurrent Liabilities</b>	<b>304,012.50</b>
	<b>Total Liabilities</b>	<b>304,012.50</b>
	<b>NET ASSETS</b>	
	Invested in capital assets, net of related debt	36,000.00
	Restricted for:	
	Unrestricted	98,087.50
	<b>Total Net Assets</b>	<b>134,087.50</b>

# Year-end Closing exercise ~ Blank Journal Voucher

[illegible]

# Completed Year-end Closing Exercise – Depreciation Schedule

## TOWN OF SOMEWHERE GENERAL CAPITAL ASSETS/DEPRECIATION

YEAR OF PURCHASE	DESCRIPTION	FUNCTION	COST	EXPECTED USEFUL LIFE	ANNUAL DEPRECIATION (STRAIGHT LINE)	DEPR. PRIOR TO FYE 2010	DEPR. FYE 2010	DEPR. FYE 2011	ACCUM. DEPRE.	NET CARRYING VALUE
	<b>LAND</b>									
	City park		1,000.00		N/A					1,000.00
Sept 2010	Ballfield		5,000.00							5,000.00
			6,000.00							
	<b>BUILDINGS:</b>									
1940	City Hall		16,000.00	40.00	400.00	16,000.00			16,000.00	0.00
2004	Fire Hall Addition to City Hall		60,000.00	40.00	1,500.00	7,500.00	1,500.00	1,500.00	10,500.00	49,500.00
	TOTAL BUILDINGS		76,000.00		1,900.00	23,500.00	1,500.00	1,500.00	26,500.00	49,500.00
	<b>MACHINERY/EQUIPMENT:</b>									
July 1980	Dump Truck		8,000.00	10.00	800.00	8,000.00			8,000.00	0.00
June 2005	Ford 1/2 T Pickup		10,000.00	10.00	1,000.00	4,000.00	1,000.00	1,000.00	6,000.00	4,000.00
June 2009	Mower		5,000.00	10.00	500.00		500.00	500.00	1,000.00	4,000.00
July 2010	Case Loader Model 2700		20,000.00	10.00	2,000.00			2,000.00	2,000.00	18,000.00
					#DIV/0!				0.00	0.00
					#DIV/0!				0.00	0.00
	TOTAL MACHINERY/EQUIP		43,000.00		#DIV/0!	12,000.00	1,500.00	3,500.00	17,000.00	26,000.00
	<b>GENERAL INFRASTRUCTURE:</b>									0.00
					#DIV/0!					
					#DIV/0!				0.00	0.00
	TOTAL INFRASTRUCTURE		0.00		#DIV/0!	0.00	0.00	0.00	0.00	0.00
										0.00
	TOTALS		125,000.00		#DIV/0!	35,500.00	3,000.00	5,000.00	43,500.00	80,500.00



# Completed Year-end Closing Exercise – GFAAG

TOWN OF SOMEWHERE						
GENERAL CAPITAL (FIXED) ASSETS ACCOUNT GROUP						
JUNE 30, 2011						
ACCOUNT NUMBER	ACCOUNT DESCRIPTION	BALANCE July 1, 2010	DEBITS	CREDIT	Adjustments for inventory/prior year depreciation	BALANCE June 30, 2011
181000	LAND	1,000.00	5,000.00			6,000.00
188000	CONSTRUCTION IN PROGRESS					
182000	BUILDINGS	76,000.00				76,000.00
182100	ALLOWANCE FOR DEPRECIATION	(25,000.00)		1,500.00		(26,500.00)
183000	INTANGIBLES/WORKS OF ART					0.00
183100	AMORTIZATION/ALLOW. FOR DEPRECIATION					0.00
184000	IMPROVEMENTS OTHER THAN BUILDINGS					0.00
184100	ALLOWANCE FOR DEPRECIATION					0.00
186000	MACHINERY & EQUIPMENT	23,000.00	20,000.00			43,000.00
186100	ALLOWANCE FOR DEPRECIATION	(13,500.00)		3,500.00		(17,000.00)
187000	INFRASTRUCTURE					0.00
187100	ALLOWANCE FOR DEPRECIATION					0.00
	<b>TOTAL ASSETS</b>	61,500.00	25,000.00	5,000.00	0.00	81,500.00
	<b>DEPRECIATION EXPENSE:</b>					
410000830	GENERAL GOVERNMENT	0.00				0.00
420000830	PUBLIC SAFETY	0.00	1,500.00	1,500.00		0.00
430000830	PUBLIC WORKS	0.00	3,500.00	3,500.00		0.00
440000830	PUBLIC HEALTH	0.00				0.00
450000830	SOCIAL/ECONOMIC SERVICES	0.00				0.00
460000830	CULTURE AND RECREATION	0.00				0.00
470000830	HOUSING/COMMUNITY DEVELOPMENT	0.00				0.00
480000830	CONSERVATION OF NATURAL RESOURCES	0.00				0.00
	UNALLOCATED DEPRECIATION	0.00				0.00
	<b>TOTAL DEPRECIATION EXPENSE</b>	0.00	5,000.00	5,000.00	0.00	0.00
280000	INVESTMENT IN GENERAL CAPITAL ASSETS	61,500.00	5,000.00	25,000.00	0.00	81,500.00
	<b>TOTAL</b>	61,500.00	5,000.00	25,000.00	0.00	81,500.00

NOTE: At year end, the depreciation expense would be closed into the equity account (280000 Investment in General Capital Assets) and new purchases/acquisitions and/or sales/disposals would be recorded.



# Completed Year-end Closing Exercise – Water Depreciation Schedule

TOWN OF SOMEWHERE										
WATER ENTERPRISE DEPRECIATION SCHEDULE										
Year of Purchase	Description	Cost	Useful Life	Annual Depreciation	Depreciation Prior to FYE 2009	Depreciation FYE 2009	Depreciation FYE 2010	Depreciation FYE 2011	Accumulated Depreciation	Net Value
	LAND			n/a	n/a					0.00
	MACHINERY/EQUIPMENT									
July 2010	Case Loader Model 2700	10,000.00	10	1,000.00				1,000.00	1,000.00	9,000.00
June 2011	Water gauge	10,000.00	10	1,000.00					0.00	10,000.00
	TOTAL MACHINERY/EQUIPMENT	20,000.00		2,000.00	0.00	0.00	0.00	1,000.00	1,000.00	19,000.00
									0.00	0.00
	TOTAL SOURCE OF SUPPLY	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
	PUMPING PLANT									
				#DIV/0!					0.00	0.00
				#DIV/0!					0.00	0.00
									0.00	0.00
	TOTAL PUMPING PLANT	0.00		#DIV/0!	0.00	0.00	0.00	0.00	0.00	0.00
	GENERAL PLANT									
1989	Water Plant	600,000.00	50	12,000.00	240,000.00	12,000.00	12,000.00	12,000.00	276,000.00	324,000.00
				#DIV/0!					0.00	0.00
				#DIV/0!					0.00	0.00
									0.00	0.00
	TOTAL GENERAL PLANT	600,000.00		#DIV/0!	240,000.00	12,000.00	12,000.00	12,000.00	276,000.00	324,000.00
	GRAND TOTAL	620,000.00		#DIV/0!	240,000.00	12,000.00	12,000.00	13,000.00	277,000.00	343,000.00

# Completed Year-end Closing Exercise – GLTDAG

## LONG-TERM DEBT (9500) ACCOUNT GROUPS - STATEMENT OF CHANGES IN LONG-TERM DEBT FISCAL YEAR ENDING JUNE 30, 2011

Account number	Description	Balance 7/1/2010	Debits	Credits	Balance 6/30/2010
	<b>ASSETS</b>				
173100	Amount available G.O.debt				
173200	Amount available S.I.D.debt				
174100	Amount to be provided G.O. debt				
174200	Amount to be provided S.I.D. debt				
174300	Amount to be provided - other	4,012.50		300.00	3,712.50
	<b>*TOTAL ASSETS</b>	4,012.50			3,712.50
	<b>DEBT PAYABLE</b>				
231100	G.O. bonds payable				
235400	Notes/Loans/Intercap				
238000	OPEB Liability				
239000	Compensated absences payable	4,012.50	300.00		3,712.50
	<b>TOTAL DEBT PAYABLE</b>	4,012.50			3,712.50

\*Total assets must equal total debt payable.

Beginning balance should equal with the ending balance of the previous fiscal year annual report and/or audit report.  
The ending debt payable balances should equal the long-term debt balances reported in the "Notes to the Financial Statements" other than the debt of any Enterprise Funds.

# Completed Year-end Closing Exercise – Water Balance Sheet

TOWN OF SOMEWHERE STATEMENT OF NET ASSETS WATER FUND 6/30/2011 - AFTER CLOSING		
Account Number	Description	5210 Water
	<b>ASSETS</b>	
	<b>Current Assets</b>	
101000	Cash and cash equivalents	100,000.00
103000	Petty cash	100.00
120000	Accounts/other receivables - (net of allowance for uncollectibles)	2,000.00
150000	Inventories	
	<b>Total Current Assets</b>	<b>102,100.00</b>
	<b>Noncurrent Assets</b>	
	Restricted Assets:	
180000	Capital assets:	
	Land	
	Construction in progress	
	Buildings	
	Improvements other than buildings	
	Machinery and equipment	20,000.00
	Infrastructure (utility systems)	600,000.00
	Less: accumulated depreciation	(277,000.00)
	Capital assets - net of accumulated depreciation	343,000.00
	<b>Total Noncurrent Assets</b>	<b>343,000.00</b>
	<b>Total Assets</b>	<b>445,100.00</b>
	<b>LIABILITIES</b>	
	<b>Current Liabilities</b>	
204000	Contracts/loans/notes payable	
209100	Compensated absences	
	<b>Total Current Liabilities</b>	<b>0.00</b>
	<b>Noncurrent Liabilities</b>	
235000	Contracts/loans/notes payable	294,000.00
238000	OPEB Liability	
239000	Compensated absences	3,712.50
	<b>Total Noncurrent Liabilities</b>	<b>297,712.50</b>
	<b>Total Liabilities</b>	<b>297,712.50</b>
	<b>NET ASSETS</b>	
	Invested in capital assets, net of related debt	49,000.00
	Restricted for:	
	Unrestricted	98,387.50
	<b>Total Net Assets</b>	<b>147,387.50</b>

# Completed Year-end Closing Journal Voucher

## TOWN OF SOMEWHERE

### GENERAL JOURNAL VOUCHER

Date Issued	6/30/2011		Voucher No.	2011-26
Date of Record	6/30/2011			
Fund No.	Account No.	Description	Dr.	Cr.
1000	460430 - 900	Claim #3000 for land purchase	d 5,000.00	
	460430 - 400	Claim #3000 for land purchase	c	5,000.00
		<b>To correct Claim #3000 - Land should have been coded as capital outlay</b>		
1000	430240 - 200	Claim #3400 for purchase of scaffolding	d 3,000.00	
	430240 - 900	Claim #3400 for purchase of scaffolding	c	3,000.00
		<b>To correct Claim #3400 - Scaffolding should not have been coded as capital outlay</b>		
9000	181000	Land	d 5,000.00	
	186000	Machinery & Equipment	d 20,000.00	
	280000	Invested in General Fixed Assets	c	25,000.00
		<b>To add capital outlay of land for ballfield &amp; Case loader</b>		
9000	280000	Invested in General Fixed Assets	d 5,000.00	
	182100	Allowance for Depreciation - Buildings	c	1,500.00
	186100	Allowance for Depreciation - Mach & Equip	c	3,500.00
		<b>To record allowance for depreciation in the GFAAG</b>		
5210	186000	Machinery & Equipment	d 10,000.00	
	430550 - 900	Capital Outlay	c	10,000.00
	186000	Machinery & Equipment	d 10,000.00	
	430550 - 900	Capital Outlay	c	10,000.00
		<b>To reverse capital outlay on Claims #2905 &amp; 3780 for purchase of loader &amp; water gauge</b>		
5210	430550 - 830	Depreciation expense	d 13,000.00	
	186100	Allowance for Depreciation - Mach & Equip	c	1,000.00
	189510	Allowance for Depreciation - Gen Plant	c	12,000.00
		<b>To record the depreciation expense in the Water Fund</b>		
9500	239000	Compensated absences	d 300.00	
	174300	Amount to be provided	c	300.00
		<b>To adjust the compensated absences in the GLTDAG</b>		
5210	239000	Compensated absences	d 300.00	
	430550 - 100	Payroll expense for comp absences	c	300.00
		<b>To adjust the compensated absences in the Water Fund</b>		
5210	235000	Loans payable	d 6,000.00	
	430550 - 610	Principal loan payments	c	6,000.00
		<b>To reverse the principal loan payment expense in the Water fund</b>		
			77,600.00	77,600.00
Explanatory Memorandum:	Year-end adjustments for capital assets, depreciation, compensated absences, loan payments and to correct incorrect claim coding.			
	Prepared by:			
	Approved by:			